Unitil
Unitil Service Corp.

May 2, 2006

BY OVERNIGHT MAIL

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Street Station
Boston, MA 02110

Re: Petition of Fitchburg Gas and Electric Light Company for Approval of a Change in the Method by Which the Company Recovers its Gas and Electric Bad Debt Costs
D.T.E. 05-GAF-P4/06-28

Dear Secretary Cottrell:

Enclosed for filing on behalf of Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil"), please find the original and one copy of Unitil's responses to the Department of Telecommunications and Energy's ("Department") First Set of Information Requests, DTE 1-1 through DTE1-6, in the above-referenced docket. Copies of these responses are being provided in the manner instructed.

Please contact me if you have any questions concerning this filing.

Sincerely,

Gary Epler

Gary Epler

Enclosure

cc: Carol Pieper, Hearing Officer (2 copies)
Thomas Carey, Analyst, Rates Division (1 copy)
Mauricio Diaz, Analyst, Rates Division (1 copy)
Alexander Kofitse, Analyst, Gas Division (1 copy)
Colleen McConnell, Assistant Attorney General (2 copies)

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Request No. DTE-1-1

Please refer to the Company's filing for recovery of electric supply-related bad debt dated February 24, 2006. On Attachment 1 at page 1, the Company has included a column titled "Net Write-offs as included in Default & Standard Offer Service" for the years 2003-2005. Please indicate the source and derivation of these amounts including all supporting calculations, schedules, and assumptions.

Response:

Please see Attachment DTE 1-1 which provides the supporting calculations for the net write-offs as included in Default & Standard Offer Service for the years 2003 through 2005. The first section shows the monthly write-offs (gross) in detail by rate component (i.e. delivery, default service, standard offer service). The second section shows the computation of the annual allocation factor. In the third section, the amount to be included in Default & Standard Offer Service is calculated by multiplying the annual allocation factor by the test year bad debt expense (net) as determined in Unitil's rate case in D.T.E. 02-24/25.

In compliance with D.T.E. 02-24/25, Unitil updates and files its annual allocation factor in each annual reconciliation proceeding. As shown on the attachment and as approved in Unitil's reconciliation filings, the allocation factor used in each annual period is based on actual data that is lagged by two years. (i.e. the allocation factor used in 2003 is based on 2001 data). The allocation factor for 2003 is based on test year data as determined in D.T.E. 02-24/25. Each year thereafter, Unitil uses the next calendar year of actual data to determine the allocation factor. Minor changes were made in calculating the allocation factor for 2004 and 2005 to include additional detail as shown on the attachment.

The source of the data in Attachment DTE 1-1 is ultimately from Unitil's customer information system ("CIS"). Write off data was obtained from a customized report, which queried the CIS until June 2004. In July 2004 the CIS was updated in a way that enabled the general ledger to be directly populated with the information needed. This data was then input to an excel spreadsheet such that calculation of the annual allocation factor could be performed.

Person Responsible: Karen M. Asbury **Date:** May 2, 2006

	FG&E Electric Service Monthly Write Offs (Gross)									Annual Allocation Factor		Bad Debt Expense DTE 02-24/25	
	Delivery	Other (1)	MDTE Credit (2)	Water Heating (3)	Total Delivery	Default	Standard Offer	Total Generation	Grand Total (5)	Delivery %	Generation %	$405,501.00	
Jan-01	28,300	-	-	-	28,300	6,192	7,830	14,022	42,323				
Feb-01	31,872	-	-	-	31,872	6,555	8,368	14,922	46,795				
Mar-01	28,512	-	-	-	28,512	7,691	5,772	13,463	41,975				
Apr-01	34,252	-	-	-	34,252	4,785	14,997	19,782	54,034				
May-01	21,767	-	-	-	21,767	4,773	6,079	10,853	32,619				
Jun-01	21,715	-	-	-	21,715	4,012	6,304	10,317	32,032				
Jul-01	18,765	-	-	-	18,765	3,776	5,742	9,519	28,284				
Aug-01	32,036	-	-	-	32,036	6,299	10,206	16,505	48,541				
Sep-01	26,674	-	-	-	26,674	6,425	8,047	14,472	41,146				
Oct-01	24,931	-	-	-	24,931	9,977	5,980	15,957	40,888				
Nov-01	21,383	-	-	-	21,383	8,129	6,405	14,534	35,917				
Dec-01	123,896	-	-	-	123,896	69,726	31,468	101,194	225,091				
MDTE Adj (4)	(123,896)	-	-	-	(123,896)	(69,726)	(31,468)	(101,194)	(225,091)				
2001 Total	**290,207**	-	-	-	**290,207**	**68,616**	**85,730**	**154,346**	**444,554**	**65.28%**	**34.72%**	**140,790**	for 2003
Jan-02	21,122	-	378	(90)	21,410	12,673	4,576	17,249	38,659				
Feb-02	22,098	-	25	(149)	21,975	11,534	6,576	18,110	40,084				
Mar-02	26,170	-	136	(120)	26,186	8,961	21,877	30,838	57,024				
Apr-02	21,980	(595)	-	(284)	21,101	10,531	8,864	19,395	40,497				
May-02	26,061	(260)	18	(312)	25,506	9,641	12,596	22,237	47,743				
Jun-02	16,967	-	-	(92)	16,875	9,474	7,067	16,541	33,416				
Jul-02	19,001	-	-	(155)	18,846	11,149	5,402	16,550	35,397				
Aug-02	18,023	-	-	(75)	17,948	10,988	4,017	15,005	32,953				
Sep-02	15,886	(216)	-	(75)	15,595	8,928	3,832	12,760	28,355				
Oct-02	12,328	-	-	(153)	12,175	5,680	4,224	9,903	22,079				
Nov-02	22,791	-	-	(51)	22,740	8,423	3,672	12,095	34,835				
Dec-02	15,855	-	-	(66)	15,789	10,288	2,606	12,894	28,683				
2002 Total	**238,282**	**(1,071)**	**558**	**(1,621)**	**236,147**	**118,269**	**85,309**	**203,578**	**439,725**	**53.70%**	**46.30%**	**187,747**	for 2004
Jan-03	15,694	-	55	(118)	15,631	8,580	3,945	12,525	28,156				
Feb-03	17,708	-	-	(70)	17,638	9,369	4,705	14,074	31,712				
Mar-03	20,311	-	-	(272)	20,039	10,915	4,778	15,694	35,732				
Apr-03	22,592	-	-	(352)	22,240	15,107	2,710	17,817	40,057				
May-03	31,057	-	-	(375)	30,682	16,256	4,018	20,273	50,955				
Jun-03	22,874	(1,085)	-	(315)	21,473	12,335	4,378	16,714	38,187				
Jul-03	29,757	(526)	-	(180)	29,051	17,207	3,085	20,291	49,343				
Aug-03	34,508	(204)	-	(150)	34,154	21,063	3,763	24,827	58,981				
Sep-03	26,003	-	-	-	26,003	17,075	1,271	18,346	44,350				
Oct-03	20,132	(93)	-	(75)	19,964	12,565	1,733	14,298	34,262				
Nov-03	20,970	(805)	-	(40)	20,126	11,372	4,378	15,750	35,876				
Dec-03	50,745	-	-	(248)	50,497	30,007	5,308	35,316	85,813				
2003 Total	**312,351**	**(2,712)**	**55**	**(2,195)**	**307,499**	**181,852**	**44,073**	**225,924**	**533,423**	**57.65%**	**42.35%**	**171,730**	for 2005

(1) Reflects write off recovery adjustments that were inadvertently coded as write-offs (as a credit) instead of a recovery. This column was not included when the 2001 allocated factor was calculated.
(2) Reflects write off of credits provided to customers when a customer's bill is over-estimated for more than six months. This column was not included when the 2001 allocation factor was calculated.
(3) Reflect water heater rental program write offs. The report included these amounts in delivery so they are netted out in calculating the total delivery. This column was not included when the 2001 allocation factor was calculated.
(4) In D.T.E. 02-24/25, the MDTE disallowed inclusion of December 2001 write off data.
(5) Total Delivery + Default + Standard Offer. Sales tax write-offs were not included in this calculation.

Request No. DTE-1-2

Please explain the manner in which the Company determines its net write-offs including the Company's policy on when uncollected costs are written-off.

Response:

The company determines its net write-offs by subtracting any write-off recovery payments from the original gross write-off balances. The majority of write-off recovery payments are received from third party collection agencies. For example, if an inactivated account final amount was sent to a collection agency and then subsequently written off in the company's customer information system, the balance would appear as a (gross) write-off. Write-off recovery payments are defined as any future payments toward the write-off balance. Net write-offs are then determined by the gross write-off balances less the write-off recovery payments.

Procedures: Outstanding receivables are usually considered for write-off after service has been terminated at the Customer's request or by the Company for non-payment of service ("Termination of Service") with the exception of bankruptcy, as detailed below.

Collections:
Actions undertaken by the Company to collect amounts due from a Customer include the following:

1. Within five (5) business days after Termination of Service, the Final Bill is rendered and mailed to the Customer.
2. Approximately forty-five (45) days after the Final Bill is mailed, if a balance is still outstanding, the customer appears on a weekly report. This report lists the customers that should be considered for further action by an external collection agency.
3. Prior to sending accounts to a collection agency, the report is reviewed by the credit & collections group for activity or other accounts.
4. In Massachusetts (MA), balances from residential accounts cannot be transferred unless a Cromwell Waiver has been signed by the customer, authorizing the transfer. In MA, if a commercial customer has another active account, the amount is transferred to the active account or sent to collections.

If the Customer with amounts due and owing has made a payment, corresponded that a payment is forthcoming, or has an active payment plan, a grace period of fifteen (15) days will be afforded during which time no adverse action will be taken and the customer is mailed another Final Reminder Letter.

5. If the Customer has not made payment or communicated with Unitil about a payment arrangement, or payment is not forthcoming, the account is sent to collections with no further notice.

Write Offs Procedures:

Write offs are performed each month on the last working day of the month.

Any inactivated account that is approximately one hundred and twenty (120) days old or more is considered for write off. The dollar amount of the customer accounts selected for monthly write-off (net of recoveries) is determined based upon the review of the customer account aging performed by the Credit Analyst under the oversight of the Manager of Customer Service, who approves the listing of accounts and authorizes the Credit Analyst to perform the monthly write-off.

1. Once the accounts are confirmed for write off, the Customer Service Manager communicates the information to the Credit Analyst, who will perform the actual write off of the accounts.
2. The Credit Analyst reviews the Special Trial Balance (the monthly report that lists the accounts receivable aging of all accounts, including accounts that are coded for delinquency exemptions, such as bankruptcy, medical, elderly, budgets, payment plans and infant protections) for any bankruptcies. Bankruptcies are generally written off in the month the Company is notified of the bankruptcy, provided the billing has been completed and the account has been final billed.
3. To flag the bankruptcy for write off, the Credit Analyst goes into the H T E menu, "*Work with Customer Accounts*" and changes the status on the accounts from F (final) to C (collections).
4. The accounts noted as bankruptcies are selected for write off prior to identifying additional customer accounts to be written off.
5. The Credit Analyst runs a final bill report (HTRFAARP) which lists all final bills for potential write off. The list is in order by month by final bill date, amount and customer.
6. The report is reviewed for payment agreements, partial payments and telephone calls as needed. Notes of the above are entered into

miscellaneous customer information coded as "PA" for Payment Arrangement.

7. Once the review is complete, the Credit Analyst selects the accounts for write off based on the oldest receivables.

Person Responsible: Mark A. Lambert **Date:** May 2, 2006

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company d/b/a Unitil
Docket No: D.T.E. 05-GAF-P4/D.T.E. 06-28
Department's First Set of Document and Information Requests

Request No. DTE-1-3

Please refer to the Company's filing for recovery of electric supply-related bad debt dated February 24, 2006. On Attachment 2, at page 1, Fitchburg lists revenue, total write-offs, total recoveries, and net write-offs for years 2002-2005. Provide a monthly breakdown of these categories for the year 2005. In addition, provide similar information on a monthly basis as available for the year 2006.

Response:

Please refer to Attachment DTE 1-3 for revenue, total write-offs, total recoveries, and net write-offs for Fitchburg Gas and Electric Light Company's Electric Division, for the months January 2005 through March 2006.

Person Responsible: Karen M. Asbury **Date:** May 2, 2006

Fitchburg Gas and Electric Light Company
Electric Division Revenue and Write-offs

	Revenue	Total Write-offs*	Total Recoveries	Net Write-offs
Jan-05	$4,913,859	$27,200	$2,764	$24,436
Feb-05	$4,640,371	$38,605	$8,655	$29,950
Mar-05	$4,580,727	$40,524	$8,210	$32,314
Apr-05	$4,278,017	$59,219	$10,833	$48,386
May-05	$3,873,307	$70,068	$9,701	$60,368
Jun-05	$4,398,341	$58,164	$5,737	$52,427
Jul-05	$5,008,739	$62,964	$5,795	$57,169
Aug-05	$5,164,926	$48,965	$8,603	$40,362
Sep-05	$5,035,507	$22,076	$6,427	$15,649
Oct-05	$4,473,033	$32,158	$5,420	$26,738
Nov-05	$4,640,925	$78,494	$7,017	$71,478
Dec-05	$5,337,393	$57,490	$7,733	$49,757
2005 Total	$56,345,145	$595,928	$86,895	$509,033
Jan-06	$6,745,225	$27,875	$3,464	$24,411
Feb-06	$6,168,269	$40,198	$9,541	$30,657
Mar-06	$6,145,145	$41,751	$8,317	$33,434

*excludes sales tax write-offs

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company d/b/a Unitil
Docket No: D.T.E. 05-GAF-P4/D.T.E. 06-28
Department's First Set of Document and Information Requests

Request No. DTE-1-4
Please provide an analysis of the activity in Account 260, Reserve for Uncollectible Accounts, for the years 2003, 2004, and 2005. In complying with this request, please separate the annual bad debt accruals, write-offs and recoveries between the electric and gas departments.

Response:

Allowance for Uncollectible Accounts Analysis

-GAS-

Year	Beg Bal	Accrual	Write-offs	Sales tax Write offs	Recoveries	End Bal
2003	99,148.83	611,331.73	(642,619.68)	(2,293.58)	67,397.95	132,965.25
2004	132,965.25	526,095.73	(664,677.92)	(1,190.62)	96,411.07	89,603.51
2005	89,603.51	722,933.75	(817,107.79)	(1,762.88)	116,366.47	110,033.06

-ELECTRIC-

Year	Beg Bal	Accrual	Write-offs	Sales tax Write offs	Recoveries	End Bal
2003	219,662.90*	540,137.77	(533,422.81)*	(1,041.58)	59,459.53	284,795.81
2004	284,795.81	618,618.54	(710,886.57)	(701.20)	95,375.54	287,202.12
2005	287,202.12	433,457.03	(595,927.95)	(1,839.04)	86,894.77	209,786.93

-COMBINED-

Year	Beg Bal	Accrual	Write-offs	Sales tax Write offs	Recoveries	End Bal
2003	318,811.73	1,151,469.50	(1,176,042.49)	(3,335.16)	126,857.48	417,761.06
2004	417,761.06	1,144,714.27	(1,375,564.49)	(1,891.82)	191,786.61	376,805.63
2005	376,805.63	1,156,390.78	(1,413,035.74)	(3,601.92)	203,261.24	319,819.99

*The 2003 beginning balance and 2003 write-offs are adjusted by $6246.95 for an inadvertent write-off in 2002 that was corrected during 2003.

Person Responsible: Laurence M. Brock **Date:** May 2, 2006

Request No. DTE-1-5

Please refer to the Company's filing for recovery of gas-related bad debt dated December 15, 2005, at page 4. Given that Fitchburg is not under a Performance-Based Ratemaking ("'PBR") Plan, please explain the basis on which the Company asserts it qualifies to recover its under-recovered bad debt costs for the calendar year 2005 as exogenous costs.

Response:

Unitil does not assert that it qualifies to recover its under-recovered bad debt costs for the calendar year 2005 as exogenous costs. Rather, Unitil asserts that it qualifies for recovery of these costs because the Department has already determined, in dockets D.T.E. 05-27 and D.T.E. 05-66, that the bad debt recovery methodology put in place in D.T.E. 02-24/25 effectively denies the local distribution company its constitutionally protected opportunity to earn a reasonable return because it does not permit the recovery of costs which are necessary to meet service obligations and which are largely beyond the company's control.

On this basis, in D.T.E. 05-66, the Department found that it was not sufficient to simply provide for a prospective change of the methodology of bad debt collection. "The matter has also been raised here in D.T.E. 05-66 *and must be answered.*" D.T.E. 05-66 at 16 (emphasis supplied.) Keyspan's recovery of its under-recovered bad debt amounts as an exogenous cost to its rate plan was therefore necessary to remedy the constitutional defect in its CGAC.

The same analysis is applicable to Unitil: Since the constitutional infirmity is inherent in the bad debt recovery method itself, which has been in place since the last rate order, it is not sufficient to limit Unitil's remedy to the prospective recovery of its actual gas-supply related bad debt costs, particularly when it has experienced large under-collections of these amounts. Thus, retroactive application of the new CGAC formula is required to remedy the same constitutional defect in Unitil's CGAC as was found in Keyspan's, and for the same purpose.

Unitil does recognize that in D.T.E. 05-66 the Department allowed Keyspan an adjustment for bad debt expense as an exogenous cost. On an equitable basis, however, Unitil's request for retroactive application of the revised bad debt formula is entirely consistent with the result of the rate treatment afforded to Bay

State and Keyspan. As was pointed out in Unitil's December 15, 2005 filing, Bay State was never subject to the fixed cost recovery methodology of D.T.E. 02-24/25. Thus, Bay State has been able to reconcile the CGA component of bad debt that was initially estimated in D.T.E. 97-97 to actual net write-offs such that it has recovered dollar-for-dollar its gas cost-related bad debt through its CGA. See D.T.E. 05-27, *Slip Op.* at 168. As for Keyspan, it has been afforded recovery of its current shortfall as an exogenous cost. Unitil is seeking the same end result, and believes that this may be accomplished in accordance with Department precedent and practice.

Person Responsible: Karen M. Asbury **Date:** May 2, 2006

Request No. DTE-1-6

Please refer to the Company's filing for recovery of gas-related bad debt dated December 15, 2005, at page 6, footnote 4, and Attachment 2. Please perform any pro forma adjustments to account for weather normalization in the calculations.

Response:

Please see Attachment DTE 1-6 which provides the average return on equity calculations on a weather normalized basis. As shown, the average return on equity is lower on a weather normalized basis for twelve months ending June 2005 and 12 months ending September 2005.

Person Responsible: Robyn Tafoya **Date:** May 2, 2006

Fitchburg Gas and Electric Light Company d/b/a Unitil
Gas Division
Average Return on Equity

Line No.		2004	Twelve Months Ended June 2005	Twelve Months Ended September 2005
	Not Weather-Normalized (as originally presented in Unitil's December 15, 2005 filing):			
1	Net Utility Income Available for Common Shareholders	$ 1,247,859	$ 850,364	$ 597,417
2	Total Utility Average Common Equity	$ 13,943,254	$ 14,458,537	$ 13,882,341
3	Average Return on Equity	8.9%	5.9%	4.3%
	Reflecting Weather-Normalized Net Utility Income:			
4	Net Utility Income Available for Common Shareholders	$ 1,292,616	$ 816,868	$ 573,124
5	Total Utility Average Common Equity	$ 13,943,254	$ 14,458,537	$ 13,882,341
6	Average Return on Equity	9.3%	5.6%	4.1%

Note
Unitil's Gas Division returns on equity are calculated in a manner consistent with previous Company annual return on equity filings submitted to the Department pursuant to its directive issued April 3, 2003.